

# House Panel Hears Tips on Avoiding Taxes Through Personal Foundations

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Special to The New York Times  
WASHINGTON, Oct. 30 —  
A witness gave Congressional investigators some tantalizing tips today on how to avoid taxes by operating a business, or profession through a personal foundation.  
The witness was Robert D. Hayes, managing trustee of a Barrington, Ill., organization called Americans Building Constitutionally. He testified for the second day before the House Small Business Subcommittee on Foundations.  
Techniques Explained  
The organization, known as A.B.C., has been accused by the subcommittee chairman, Representative Wright Patman, Texas Democrat, of operating a school for tax dodgers.  
Mr. Hayes denies that he teaches tax dodging, which is illegal. He acknowledges that he teaches tax avoidance, which is legal. In other words, his organization shows "members" for fees ranging from \$1,050 to \$10,500 how to take advantage of the tax laws.  
Mr. Hayes gave the subcommittee copies of teaching manuals used by A.B.C., offered ad-

ditional tips on tax avoidance in reply to questions and further explained his techniques to reporters after the hearing.  
A picture emerged of how a doctor, for example, might be able to avoid taxes by carrying on his usual professional activities as an employee of a "scientific research" foundation.  
The doctor could assign his assets and income to the foundation and control it as a trustee, with members of his family or friends as co-trustees. While his salary would be taxable, he would be likely to set it lower than normal to avoid high tax rates and rely on what Mr. Hayes called "fringe benefits" to pay a number of personal expenses that otherwise would come out of his earned income.

Such fringe benefits might include housing accommodations at a clinic operated by the foundation, the use of an automobile provided by the foundation, low "charter" rates for air travel and possibly even free college education for the doctor's children.  
In an interview, Mr. Hayes said it was possible to send one's children through college if the foundation established a program of educational grants, for which anyone could apply. He suggested that the foundation, while accepting applications from outside the family, was not required by law to approve such applications.  
One big advantage of such a foundation, according to Mr.

Hayes, is that the assets can be kept in the founder's family when he dies without payment of inheritance or estate taxes.  
The A.B.C. teaching manual also indicated that family members and friends could draw salaries for work done under contract with the foundation, that the foundation could make "friendly loans" and that the foundation's funds could be invested in business enterprises.  
Alimony Payments  
Mr. Patman asked if alimony had been paid "to as many as five ex-wives" by foundations.  
"We don't recommend that," Mr. Hayes replied. "We don't know that it's been done."  
Representative Silvio O. Conte, Republican of Massachu-

setts, observed that a foundation operator, according to Mr. Hayes's testimony, could "draw a very small taxable salary and get his other needs tax free."  
"Correct," Mr. Hayes said. "All he'll need is some pin money," Mr. Conte remarked. "For clothes and food to be specific," was the reply.  
For the second day, Mr.

Hayes refused to answer questions about his group's financial affairs and membership. He said it would be a violation of his trust to do so.  
Mr. Patman directed him to return for another hearing Monday and said the subcommittee would decide after that whether to institute contempt-of-Congress proceedings against him.